



# MULTIFAMILY AFFORDABLE HOUSING STRATEGY

CITY OF DETROIT | 2018



Mayor Duggan and community stakeholders at the groundbreaking of the Saint Rita Apartments, a long-vacant building that will be redeveloped to provide 26 permanent supportive housing units.

## ONE CITY. FOR ALL OF US.

This central principle guides our work. While we have made significant progress toward being a stronger, safer city in recent years, we have much work to do. To continue this effort, we propose a comprehensive multifamily affordable housing strategy to build and preserve 12,000 affordable housing units in Detroit over the next five years.

In recent years, we have removed or renovated over 17,000 vacant, blighted houses and structures, installed 65,000 street lights, and brought police and fire response times under national averages. The City now operates with a balanced budget, and the unemployment rate is at its lowest since 2001.

Although this visible progress has benefitted Detroiters, we must continue to build an inclusive city that serves and provides opportunities for all. While investment produces economic success and new opportunities within our city, we are also faced with new challenges. We must ensure that rising housing costs are met with the creation of new affordable housing, and that investment in key neighborhoods includes preservation of existing affordable housing. Together, such policies can fight displacement and ensure that all Detroiters benefit from the city's future successes.

Our work toward building an inclusive city is guided by eight principles:

- 1 Everyone is welcome in our city.
- 2 We will not support development that moves Detroiters out so others can move in.
- 3 We will fight economic segregation. Every area of Detroit will have a place for people of all incomes.
- 4 Blight removal is critical, but we must save every house we can.
- 5 We will work to build neighborhoods of density, where daily needs can be met within walking distance of home.
- 6 Those who stayed will have an active voice in their neighborhood's redevelopment.
- 7 Jobs and opportunities will be brought close to the neighborhoods whenever possible and made available first to Detroiters.
- 8 The Detroit Riverfront belongs to everyone.

The preservation and creation of affordable housing is the cornerstone of our growth strategy. Affordable housing offers housing stability for the city's lowest-income residents and provides housing options to households at a range of incomes in all neighborhoods. This document outlines a proactive set of initiatives to promote affordable housing that aligns with the City's commitment to diversity and inclusion.

To implement these principles in housing development, this plan calls for the preservation of 10,000 units of existing affordable multifamily units and development of 2,000 new affordable multifamily units.

Achieving these goals will require targeted actions and close collaboration between the City, residents, and the development community, as outlined in this document. The following chapters lay out the strategies and actions we will take to achieve them. In coming months, we will reinforce these strategies and discuss our progress, as part of neighborhood planning processes and District community meetings.

We are committed to building a strong, inclusive Detroit. Together, we can ensure that this is one city for all of us.

Mayor Duggan



Stakeholders in the Old Redford neighborhood at the launch of the Motor City Re-Store program, which provides matching grants to improve commercial storefronts.

<b>Letter from Mayor Duggan</b> .....	3
<b>Introduction</b> .....	6
Focus	
Current State of Housing Affordability in Detroit	
A Strategy for Multifamily Affordable Housing	
<b>Section 1: Preserving Affordable Housing</b> .....	16
Strategy 1: Preservation Action Plan	
Strategy 2: Sustainable Operations	
Strategy 3: Project-Based Rental Assistance Contracts	
<b>Section 2: Development of New Multifamily Affordable Housing</b> .....	24
Strategy 1: Strengthen the Detroit Housing Commission	
Strategy 2: Use of Public Land	
Strategy 3: New Supportive Housing	
<b>Implementation</b> .....	30

# INTRODUCTION



The Strathmore in Midtown is a 129-unit mixed-income housing development that opened in 2016.

## Affordable housing is central to the City of Detroit's growth strategy and will play a key role in the City's ability to retain existing residents, attract new residents, and create mixed-income neighborhoods.

The City of Detroit is focused on two fronts: preserving the affordability and quality of the existing housing stock, and producing new housing that is priced affordably to people across a range of incomes. Both critical approaches support the City's objective to provide residents with quality affordable housing options accessible to public transit, employment hubs, and other essential services.

To date, the City has made significant commitments to affordable housing, including taking aggressive action to preserve affordable housing and requiring new multifamily housing developments receiving direct public financial support to include at least 20% of units

affordable to households making up to 80% of Area Median Income (AMI) (with public financial support defined as investments of federal housing development funds or the sale of public land at below market value).

This document addresses the City's goals and strategies for multifamily affordable housing and serves as a guide for the agencies and departments that will perform this work, led by the Housing and Revitalization Department (HRD).

The following chapters of this document outline the key strategies the City will pursue to reach its goals. Central to these strategies is the City's commitment to make the lead investment of \$50 million to establish the Affordable Housing Leverage Fund and work with financial institutions and philanthropic stakeholders to build a \$250 million fund. This fund will be used to preserve existing affordable housing, produce new affordable housing, including supportive housing, and strengthen neighborhoods through investments in large-scale single-family stabilization projects. The Implementation chapter of this document includes details on the fund and a set of initiatives focused on bolstering the City's capacity to realize its vision.

### GOAL 1:

**Preserve the affordability of 10,000 units of multifamily housing by 2023 to retain quality affordable housing options for residents, and use all available tools to prevent the loss of quality unregulated affordable multifamily housing.**

Preserving the existing stock of affordable housing, comprised of both regulated and naturally occurring affordable housing (NOAH), will help retain affordable housing options for residents and provide the opportunity for Detroiters of all incomes to remain in Detroit. The City will achieve its preservation goals by tracking the stock of affordable housing, training property owners in preservation methods, maintaining and extending rental subsidies when possible, and targeting recapitalization efforts to units that are reaching the end of their affordability requirement.

### GOAL 2:

**Produce 2,000 new affordable multifamily housing units by 2023, equivalent to 20% of projected overall multifamily housing development.**

The production of new affordable housing will expand the supply of quality housing in Detroit and promote long-term community revitalization and economic diversity. As part of this goal, the City will target production of units for low-income residents, focusing on units affordable to households earning up to 60% of AMI. Towards this goal, the City will leverage public land to encourage affordable housing development and target supportive housing to address chronic homelessness.

# Focus

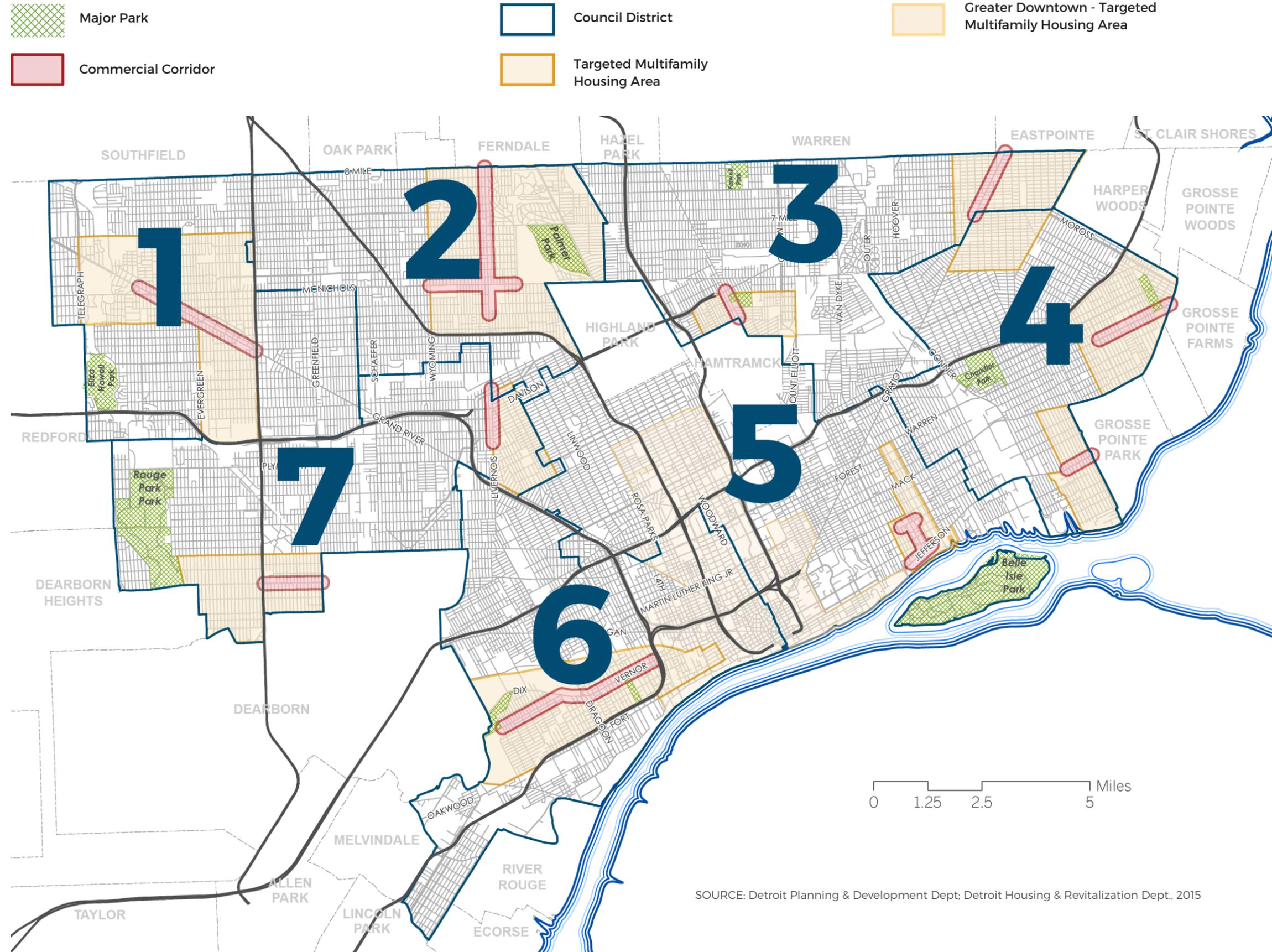
This document focuses on the affordability and quality of Detroit's existing and newly developed multifamily housing, which has comprised the majority of new housing development taking place in Detroit in recent years.

However, the City also recognizes that the affordability of single-family housing is a significant concern. In recent years, several programs have been made available to address single-family housing in Detroit, such as the 0% Interest Home Repair Loan Program, Rehabbed & Ready, and the Detroit Home Mortgage. The City has committed to developing additional strategies for single-family housing in 2018.

In line with the City's ongoing development and planning initiatives, the strategies described here prioritize investments in the Targeted Multifamily Housing Areas to create walkable, urban nodes that provide services, transit, and access to employment, and strategies to preserve affordable housing units, city-wide.

Through the actions outlined in this document, HRD will lead the preservation and development of quality housing affordable for a wide range of incomes. Affordable housing regulations divide income bands at households making up to 30%, 50%, 60%, and 80% of AMI, labeled as extremely low-income, very low-income, and low-income (including households making up to 60% AMI for LIHTC qualification and up to 80% of AMI otherwise), respectively. These income cohorts are set for varied household sizes, and are referred to frequently throughout this document. In Detroit, the AMI for a four-person household was \$68,600 as of 2017. As an example of how this translates to the AMI levels in this document, 60% of AMI is equivalent to \$32,940 for a two-person household and \$41,160 for a four-person household.

Figure 1: Targeted Multifamily Housing Areas



SOURCE: Detroit Planning & Development Dept; Detroit Housing & Revitalization Dept., 2015

Figure 2: Housing Affordability Income Brackets

Category	Classification	1-Person	2-Person	4-Person
30% AMI	Extremely Low-Income	\$14,450	\$16,500	\$24,600
50% AMI	Very Low-Income	\$24,050	\$27,450	\$34,300
60% AMI	Low-Income	\$28,860	\$32,940	\$41,160
80% AMI	Low-Income	\$38,450	\$43,950	\$54,900
100% AMI	Moderate-Income	\$48,100	\$54,900	\$68,600

SOURCE: U.S. Department of Housing and Urban Development, Michigan State Housing Development Authority, 2017

## Current State of Housing Affordability in Detroit

**Detroit is beginning to see demographic and market changes, indicating a slowing in the rate of population loss.** While data on Detroit's population has yet to show overall population gains, the rate of population loss in the city has steadily slowed since 2010. In 2016, the population declined by 0.5%, a similar decline to the year prior and together the smallest decreases since the Great Recession. In addition, utility connection data shows an increase of over 3,000 household connections from March 2016 to March 2017, suggesting that Detroit is reaching a turning point. If current population trends continue, Detroit is expected to see growth in coming years.

The revitalization of neighborhoods within Greater Downtown and select other areas is attracting a young and educated population who seek walkable urban

neighborhoods with retail, open space, and amenities. Based on analysis of U.S. Census data, between 2010 and 2016, the population in Greater Downtown increased by over 9,000 residents, the majority of whom moved to the area from outside Detroit and were between the ages of 18-34.

Demand is driving significant levels of new construction. In 2016 and 2017, over 2,000 new multifamily residential units were completed, primarily concentrated in Greater Downtown. While new activity and investment is creating valuable benefits for Detroit, the increasing desirability of these locations also places pressure on housing affordability.

Rents have experienced steep growth, particularly in Greater Downtown, where from 2005 to 2016 rents increased by over 37%, from an average of \$746 per month to \$1,020 per month. During the same time, average rents increased in the city as a whole by 26%, from \$650 per month to \$820.

As Detroit's housing market continues to recover in the wake of decades of disinvestment compounded by the Great Recession, neighborhoods with urban amenities may face affordability challenges due to increased demand and rising housing costs. The City is focused on stemming the threat of displacement in these neighborhoods.

Elsewhere in the city, demand is driven by the changing needs and preferences of the existing population. Throughout the city, more than a quarter of Detroit residents are over the age of 55. The City must invest in housing that is affordable to, and meets the needs of, its senior population.

**Though housing prices in Detroit are less expensive when compared to other major cities and land values are low, many Detroiters face housing affordability challenges.** In 2017, the average apartment asking rent in Detroit was 37% lower than in Chicago, 25% lower than in Philadelphia, and 11% lower than in Pittsburgh. However, as of 2014, 57% of Detroit renters paid more than 30% of their household income on housing costs, above the national average of 52%. This is a challenge for Detroit's extremely low- and very low-income residents who spend a significant portion of their income on housing costs. In 2014, 64% of extremely low-income renter households, approximately one third of Detroit's residents, were "severely cost burdened," or paying more than 50% of their household income on housing costs.

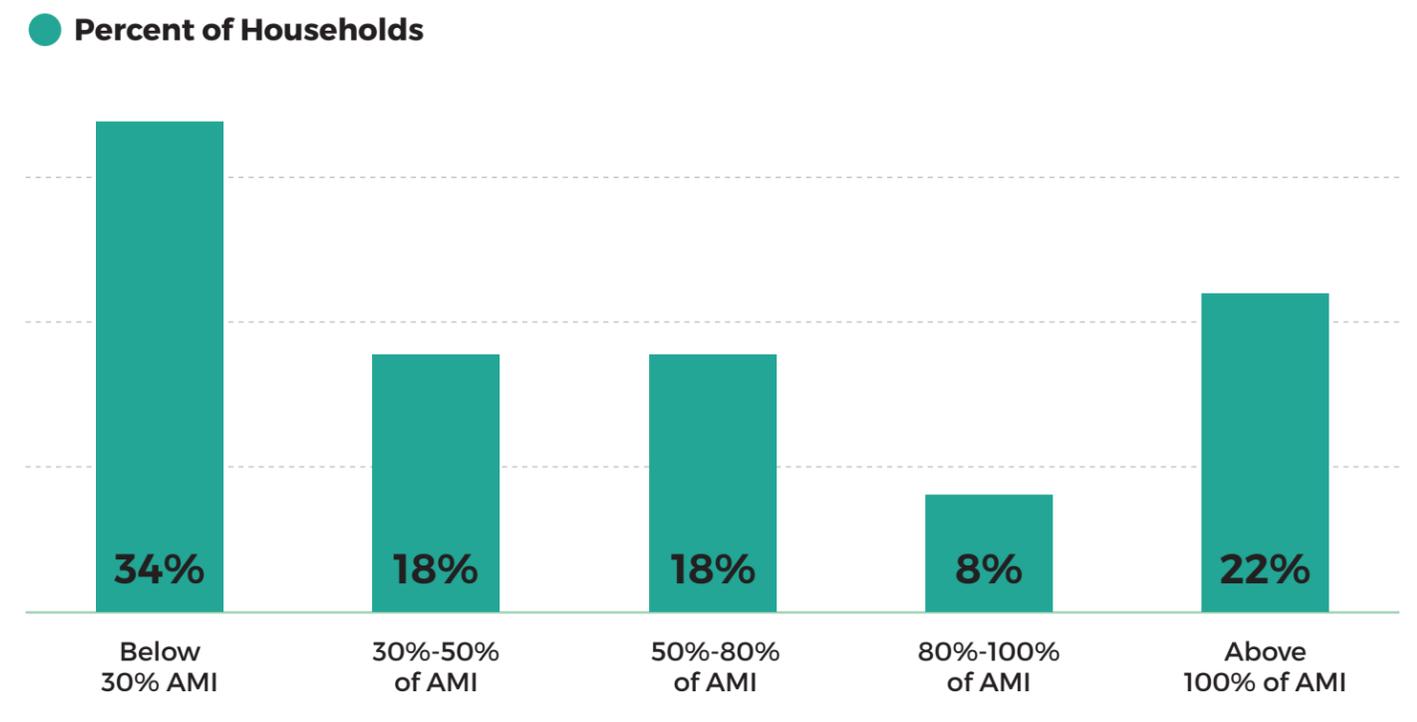
**Detroit's high commercial property tax rate and relatively high cost of construction place a significant**

**burden on improving existing multifamily properties and developing new affordable housing.** Current Detroit market conditions and a high property tax rate mean that almost all multifamily development and existing regulated affordable developments rely on some form of tax incentive for financial feasibility.

**In neighborhoods where major development has not recently occurred, the economics of preserving or producing affordable housing are particularly challenging.** Many neighborhoods still struggle with overall disinvestment and weak market conditions, resulting in challenging dynamics for preserving existing or creating new housing stock. In addition, disinvestment poses challenges to the quality of Detroit's naturally occurring affordable housing stock, particularly when extended periods of low-value rents or vacancy strain the financial feasibility of upkeep and maintenance.

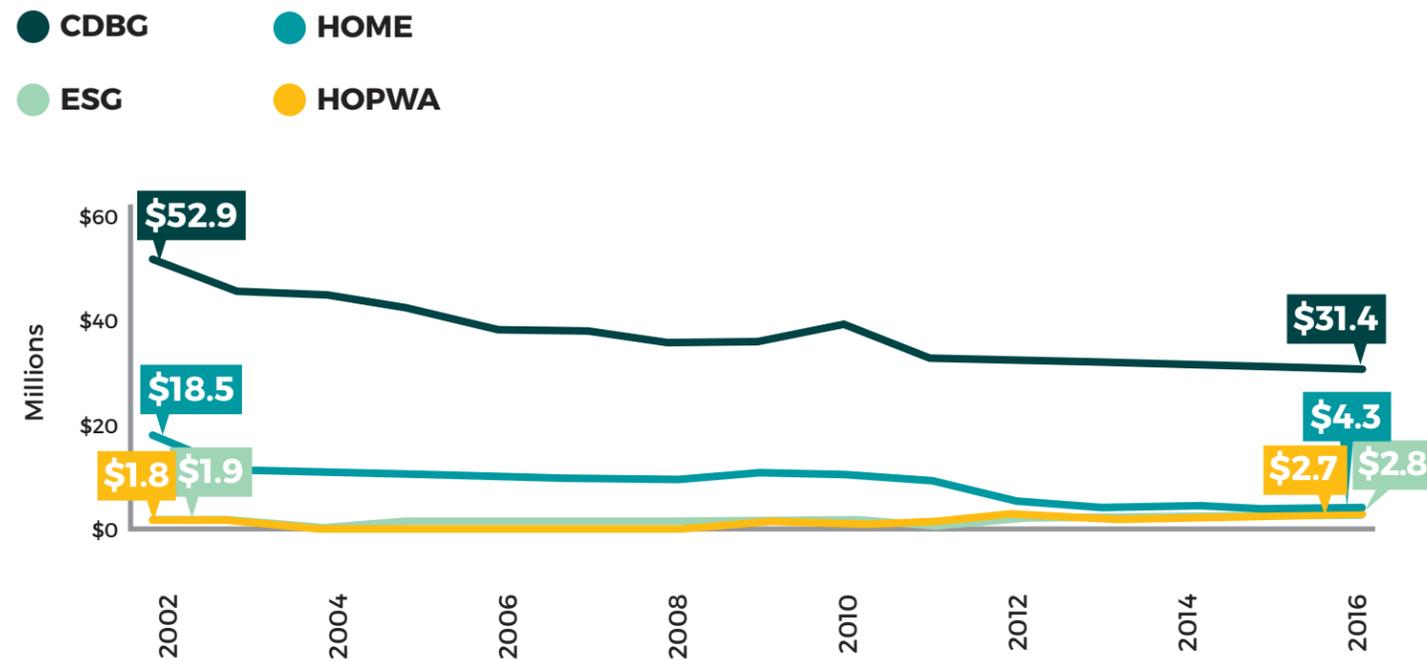
**Federal funding to support affordable housing initiatives has declined steeply.** Detroit, like many cities, has relied on federal funding from the Department of Housing and Urban Development (HUD) to produce affordable housing and provide services, particularly for households with the greatest need.

Figure 3: Household Income by AMI Benchmark



SOURCE: U.S. Department of Housing and Urban Development CHAS data, 2014

Figure 4: Annual Federal Funding Allocation



SOURCE: U.S. Department of Housing and Urban Development

In 2002, total federal funding to Detroit for housing programs was just over \$75 million, including over \$18 million from the HOME Investment Partnerships Program (HOME), a key resource for the construction of affordable and supportive housing units; almost \$53 million from the Community Development Block Grant (CDBG) program, which supports HRD's housing programs and non-profit service providers; and an additional \$4 million from the Emergency Shelter Grant (ESG) program and the Housing Opportunities for Persons with AIDS (HOPWA) programs.

In recent years, the total level of federal funding allocated to affordable housing has decreased substantially. In 2016, the City received only \$41 million in federal funding, a 45% decrease from 2002. Although HOPWA and ESG slightly increased over this period, the HOME program saw a 77% decrease, a reduction of over \$14 million in funding. This decrease greatly impacts the City's preservation and new production prospects. Figure 4 shows the change in Detroit's federal funding allocation over time.

**Though the overall number of people experiencing homelessness has decreased in recent years, as**

**measured by the annual Point-in-Time count, chronic and long-term homelessness remains an issue.** Although persons experiencing homelessness decreased by 19% from 2015-2017, an increasing number of people are experiencing homelessness for more than one year, or more than four times within three years. Individuals who meet these criteria are defined as chronically homeless.

In January 2017, 249 people were recorded as experiencing chronic or long-term homelessness – 105 of those people sleeping on the street or in a place not meant for human habitation. These individuals often struggle with financial challenges and additional barriers to housing stability, including mental illness, physical or developmental disabilities, substance use, and/or criminal history. Supportive housing – affordable housing that includes support services designed to help tenants stay stably housed and build necessary life skills – is critical to meeting the needs of the city's most vulnerable residents. The strategies to build supportive housing described in this document supplement the tactical approaches providers currently use to fight homelessness. However, there is not currently a regional strategy to tackle this issue.

## A Strategy for Multifamily Affordable Housing

Since 2014, the City has taken steps to ensure the preservation and development of affordable housing across all city neighborhoods.

This document outlines the strategies that the City will pursue to provide affordable housing in Detroit and prepare for future market changes, ensuring that the city is well positioned both to grow and to build inclusive, mixed-income neighborhoods. The strategies and actions to which the City is committing are outlined in the Goals, Strategies, and Actions figure on the following page and detailed in the following sections.

In coordination with the release of this document, the City will provide opportunities for residents and other stakeholders to engage on the topics discussed below through:

- Neighborhood planning processes, during which residents will be engaged to connect neighborhood planning to the City's broader affordable housing strategies.
- Community meetings to provide additional information and foster discussion with residents.
- An annual update to City Council on the progress made in implementing the strategies and initiatives detailed in this document.



Cathedral Tower, which offers 236 affordably priced units in Midtown, will undergo a \$12 million renovation through an agreement that will preserve its affordable designation.

# GOALS, STRATEGIES, AND ACTIONS

	Strategy	Action 1	Action 2	Action 3	Action 4
<p><b>GOAL 1</b></p> <p><b>Preserving Existing Affordable Housing</b></p> <p>Preserve 10,000 units of affordable multifamily housing by 2023</p>	<p><b>Implement near-term initiatives of the Preservation Action Plan</b></p>	<p>Develop and maintain an inventory of affordable housing stock</p>	<p>Develop a framework for prioritizing preservation efforts</p>	<p>Train local developers to expand knowledge of preservation methods</p>	<p>Improve coordination of preservation funding requests</p>
	<p><b>Ensure the sustainable operations of regulated affordable housing</b></p>	<p>Enhance oversight of properties financed by the City</p>	<p>Provide technical assistance to existing projects to improve operations</p>	<p>Cultivate a network of developers with extensive preservation experience</p>	
	<p><b>Actively maintain project-based rental assistance contracts</b></p>	<p>Assess stability of developments served by rental assistance and develop a response protocol for at-risk buildings</p>	<p>Identify a pool of destination buildings for the relocation of rental assistance contracts</p>	<p>Coordinate with the DHC to utilize the RAD program for HUD-assisted properties</p>	
<p><b>GOAL 2</b></p> <p><b>Developing New Affordable Housing</b></p> <p>Produce 2,000 units of new affordable multifamily housing by 2023</p>	<p><b>Strengthen the Detroit Housing Commission</b></p>	<p>DHC will seek High Performer status in 2018 and Moving to Work in 2019</p>	<p>Create new rental assistance for extremely low-income households</p>		
	<p><b>Leverage public land for affordable housing development</b></p>	<p>Develop a database of vacant multifamily buildings for potential redevelopment</p>	<p>Explore the creation of a land trust</p>		
	<p><b>Address chronic homelessness in Detroit</b></p>	<p>Identify sites for supportive housing (SH) development</p>	<p>Support changes to the scoring structure of the statewide Qualified Action Plan to support new SH development</p>	<p>Develop an updated plan for the Moving Up initiative</p>	

## IMPLEMENTATION

**TOOLS: Create and access increased funding**

**Create local funding sources**

- Continue partnership with Invest Detroit in the Strategic Neighborhood Fund
- Create the Affordable Housing Leverage Fund (AHLF) to provide low-cost financing and gap funding to property owners and developers

**Streamline use of tax incentives**

- Revise and publish a consistent set of criteria for awarding tax incentives
- Create a system to track development projects that have received incentives
- Require building owners to submit a retention plan when incentives are requested for occupied properties

**KEY ACTORS: Empower key actors to execute on the City’s goals**

**Establish the Office of Policy and Program Development**

- Design programs and oversee implementation of the Multifamily Affordable Housing Strategy
- Ensure Plan goals, strategies, and initiatives are incorporated into the housing strategies of neighborhood plans

# PRESERVING AFFORDABLE HOUSING



The Kamper-Stevens development, located on Washington Blvd., will continue to offer affordable rents through 2047 after a successful preservation effort completed by the City in 2017.  
Credit: Dan Austin

## Preservation, maintaining the affordability of an existing unit over time, is critical to retaining the city's existing population and ensuring future affordable housing options for all Detroiters.

The existing stock of affordable housing in Detroit includes regulated affordable housing – units that receive public subsidy and have rent requirements in place – and naturally occurring affordable housing (NOAH) units, defined as housing units priced by market forces at levels that are affordable to low-income residents. Without affordable housing policies and programs targeted at the preservation of existing affordable units, the city risks losing affordably priced housing, both regulated and naturally occurring, particularly in neighborhoods with improving market conditions.

The two primary threats to affordable housing are rising market rents and functional obsolescence. Affordable properties in strong markets are often at risk of conversion to market-rate rental units or condominiums, while affordable properties in weak markets often suffer from disinvestment and potential foreclosure.

Preservation is more cost effective than new development on a per-unit basis and is made possible by financing and operating subsidy tools that require the lasting affordability of units in exchange for continued streams of income or fees for property owners. The tools currently used for preserving affordable housing are limited and oversubscribed. The development of new preservation strategies and actions by the City will prevent displacement and ensure adequate maintenance and safety, as well as sufficient quantity, of affordable units.

There are approximately 22,000 existing regulated affordable housing units operating in Detroit, made up of:

- Public housing units: Public housing units are funded by the federal government and serve extremely low-income households. In Detroit, the Detroit Housing Commission (DHC) manages over 3,300 public housing units.
- Rent-assisted and income-restricted multifamily buildings: Rent-assisted multifamily buildings were developed in the 1970s and 1980s through

Federal Housing Administration (FHA) financing and insurance programs that required long-lasting affordability in exchange for favorable loan terms and often guaranteed rent payments via rental subsidy contracts. Rental assistance contracts serve approximately 9,500 Detroit households, many of which include elderly residents. As these loans reach maturity, rental subsidy contracts often do as well. Rental subsidy contracts can be extended for the original residential development or moved to serve other affordable developments.

- LIHTC housing: Low-Income Housing Tax Credit (LIHTC) properties primarily serve very low-income and low-income (up to 60% of AMI) households and are managed by private or non-profit developers. Most LIHTC properties have a 15-year required affordability period, plus an “extended use period” that extends affordability requirements. Properties may then option out after the initial 15-year period and convert to market-rate pricing. In strengthening markets with rising rents, this becomes an appealing option for LIHTC owners and, as a result, properties become vulnerable to loss of affordability. Over 14,000 LIHTC units have been developed in Detroit, many of which also utilize rental assistance.

In addition to regulated housing, Detroit's housing stock includes a significant number of NOAH units. The City defines NOAH as unregulated housing units that are affordable to low-income households (up to 60% AMI). In 2015, approximately 67% of Detroit's multifamily non-regulated housing stock met NOAH standards. While a large share of Detroit's housing stock qualifies as NOAH, the focus of preservation strategies is on units in areas where housing costs are rising rapidly and properties are at risk of losing their NOAH status.

The city's stock of regulated and NOAH units is aging and in need of reinvestment. Regulated affordable housing, particularly public housing, faces obsolescence given the age of properties and the decline in federal funding to maintain them. For NOAH units, particularly those in weak markets, extended periods of low-value rents strain the financial feasibility of upkeep.

This document establishes a goal for the preservation of 10,000 units of affordable housing units by 2023, which is roughly equivalent to the number of existing regulated affordable housing with required affordability terms that will expire during that time. While many units are likely to continue to exist as affordable units with minimal intervention, there are approximately

2,500 units with expiring terms or that are at risk of severe obsolescence that demand more active intervention to preserve affordability. The City is focused on preserving these units as part of the overall preservation goal.

## The Development of a Preservation Action Plan

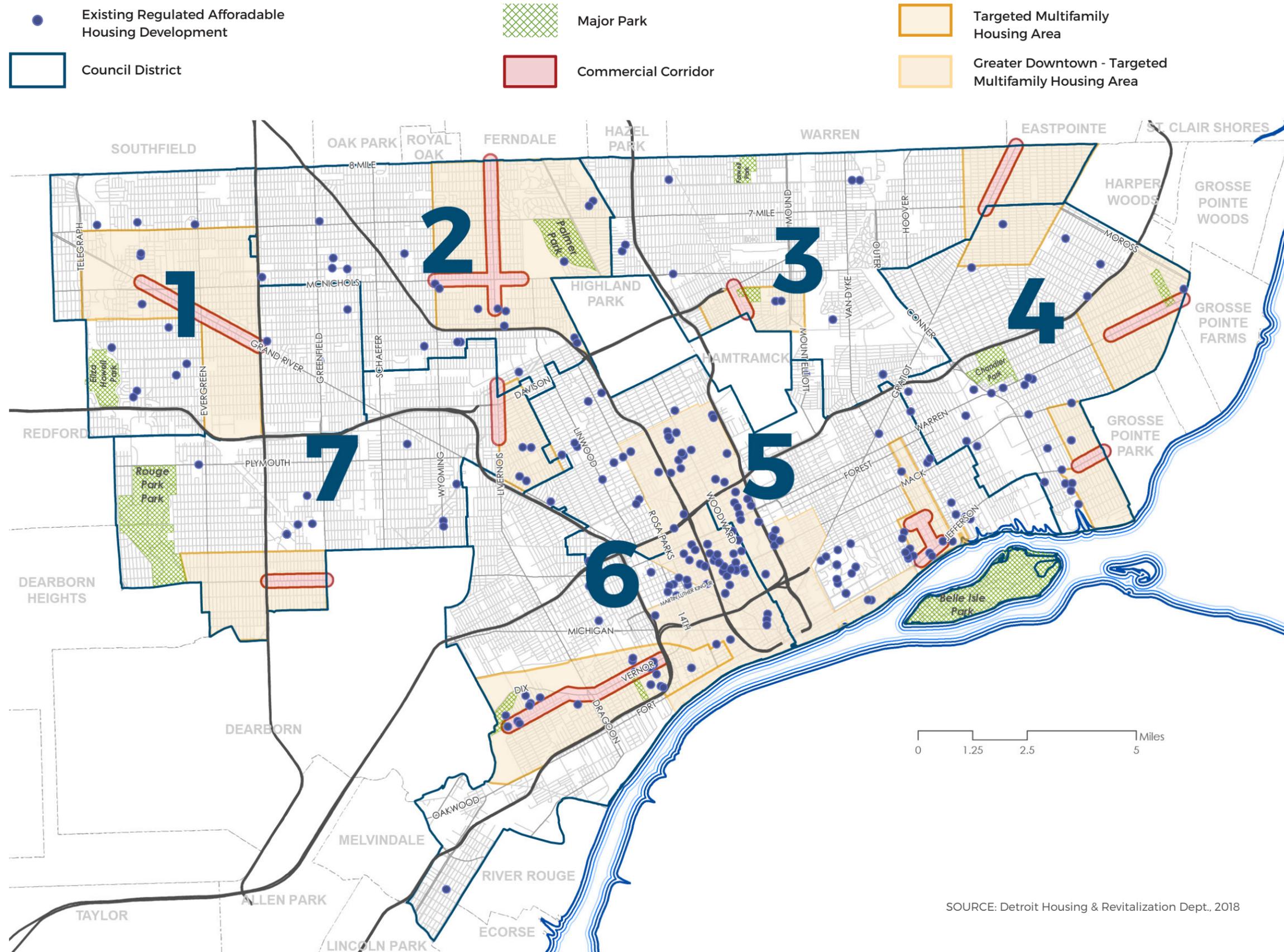
In mid-2017, the City convened and led a task force comprised of community stakeholders to develop a Preservation Action Plan that will guide preservation efforts over the next five years. The creation of this group, known as the Detroit Affordable Housing Preservation Task Force, was modeled on best practices of cities like Chicago, Washington D.C., and Cleveland, which have established task forces to coordinate efforts around securing the long-term affordability and quality of LIHTC properties.

The Task Force's work was informed by previous preservation-focused working groups, including the LIHTC Working Group led by Community Development Advocates of Detroit (CDAD), Senior Housing Preservation-Detroit (SHP-D), the Recapitalization Task Force led by the Detroit Local Initiatives Support Corporation (LISC) office, and the Community Development Financial Institution (CDFI) Coalition of Detroit. The Task Force collaborated on a Preservation Action Plan through four working groups focused on: financially sustainable regulated affordable multifamily housing, financially distressed regulated multifamily housing, naturally occurring affordable multifamily housing, and scattered-site single-family LIHTC developments (not discussed in this document, but an important part of the group's work).

Affordable housing preservation strategies that the City will pursue are based on a shared set of implementation goals:

- Prevent regulated affordable units from converting to market rate.
- Prevent the loss of public investment, specifically HOME investments and rental assistance contracts funded through federal housing assistance programs.

**Figure 7: Existing Regulated Affordable Housing Developments**



## Existing Housing Preservation Tools

### 9% Low-Income Housing Tax Credits (LIHTC)

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (MSHDA)  
LIHTC are allocated on a competitive basis through each state's housing finance agency, MSHDA in Michigan. MSHDA reserves a portion of the credits it has to allocate to preserving existing regulated affordable housing. Annually, MSHDA allocates approximately \$22 million in credits statewide. These credits allow developers to generate equity to finance the construction of affordable units.

### 4% Tax Credits + Tax-Exempt Bond Financing

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY (MSHDA)  
This is a non-competitive and unlimited program available for the financing of affordable housing preservation and development. Developments using this program must be able to support debt payments supported by tax-exempt bond financing, which must be applied for first. Development projects receiving this bond financing are then eligible to receive a non-competitive allocation of 4% tax credits. Equity realized through the 4% tax credits is worth much less than those developed through 9% credits.

### Rental Assistance Demonstration – Component I (RAD-1)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)  
RAD-1 is a program available to public housing commissions/authorities to privately finance major renovations to existing public housing. The number of units eligible to participate nationwide in the RAD-1 program is limited by the U.S. Congress. Currently the program is more than fully subscribed.

### HOME Investment Partnership (HOME)

CITY OF DETROIT THROUGH THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)  
Annually, the City of Detroit receives an allocation of HOME funds to use for affordable housing activities. The Federal budget determines how much funding will be available nationwide for the program, and a formula determined by the U.S. Congress determines how much funding each community receives. In the 2016 Federal budget year the City received an allocation of \$4,252,103. These funds are then allocated to affordable development projects through a competitive process open to all affordable housing projects.

### HUD 223(f)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)  
HUD 223(f) is a Federal Housing Administration (FHA) mortgage insurance program for HUD-approved lenders that facilitates the purchase or refinancing of existing multifamily rental housing.

### Mark-to-Market (M2M)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)  
The M2M program preserves affordability by restructuring the financial debt carried by an existing affordable housing development to the level a development can support at market rate rents. Only housing developments assisted by Section 8 rental housing assistance contracts that were financed by an FHA insured mortgage (excluding Section 202 and Section 515 financing) are eligible to participate in M2M.

- Improve conditions and retain the affordability of properties suffering from deterioration, vacancy, abandonment, and/or foreclosure.

The Preservation Action Plan goals support and reinforce the City's overall preservation goal and require a commitment by the City to work closely with the Task Force to carry out a set of specific initiatives over the next five years.

## STRATEGY 1

### Implement near-term initiatives of the Preservation Action Plan, including the establishment of the Detroit Affordable Housing Preservation Partnership.

Key to realizing the goals of the Preservation Action Plan will be the establishment of the Detroit Affordable Housing Preservation Partnership (the Preservation Partnership). The Preservation Partnership will be led by HRD, and include a locally based CDFI, a tenant representative, and the DHC. The Preservation Partnership will launch in 2018. Foundational strategies of the Preservation Action Plan will be advanced by early 2019 and lay the groundwork for longer-term initiatives. Near-term initiatives include the following:

- Develop and maintain an affordable housing inventory that tracks both regulated and naturally occurring affordable housing. This system will help the City and stakeholders track and quantify the affordable housing supply and guide deployment of public preservation funding and technical assistance to prevent the loss or conversion of affordable units.
- Develop a framework for prioritizing preservation efforts, which will be used to approach preservation in a manner that targets the most critical or threatened housing. The framework will include criteria based on cost, location, timing, and overall impact, and will be reevaluated annually by the City to ensure prioritization remains current.
- Train local developers on how to preserve their affordable housing properties. With over 4,500 LIHTC units over 15 years of age, and numerous other aging

affordable units, raising awareness of strategies for reinvestment to ensure adequate maintenance and safety of housing is essential. Owner outreach and technical assistance will be critical to preserving LIHTC units as their term of affordability expires and they face the potential for conversion.

- Improve coordination of preservation funding requests. Enhancing the efficiency with which funding requests are made will generate an increased tax credit allocation to support increased preservation activity.

## STRATEGY 2

### Ensure the sustainable operations of regulated affordable housing.

The City and the Preservation Partnership will also implement longer-term initiatives beyond 2018. Detroit's roughly 22,000 units of regulated affordable housing are some of the City's greatest assets to preventing displacement. As these units age, their affordable status becomes more uncertain due to affordable contract requirements, building condition, management capacity, and surrounding market conditions.

Regulated affordable housing units are categorized here as sustainable or unsustainable. Sustainable units are financially solvent, operated by professional property managers, and have sufficient replacement and operating reserves. Unsustainable units have a declining physical condition resulting from frequently deferred maintenance, poor property management, and ownership instability, all of which threaten the ability of the City to provide quality affordable housing units.

For sustainable regulated affordable housing units, the City's focus is on ensuring the continued reliability of affordable units, preserving past investments and government subsidies. For unsustainable regulated affordable housing units, the City's focus is on stabilizing operations and converting the units to sustainable models. To achieve this, the City will:

- Enhance oversight activities by 2020 for properties for which the City has provided financing. HRD will lead this effort, allowing the City to evaluate the performance of properties and provide constructive intervention for struggling assets. This strategy will

## ■ PRESERVING AFFORDABLE HOUSING

supplement those laid out in the Preservation Action Plan and allow the City to evaluate and quantify progress.

- Provide technical assistance to owners to improve operations and enhance project performance. The City will also work with HUD to encourage property managers to budget for service providers, particularly for disabled and elderly households already assisted by HUD programs.
- Cultivate a network of developers with extensive experience working on preservation projects, so that the City is better positioned to reach its goals.

# STRATEGY 3

## Actively Maintain Project-Based Rental Assistance Contracts.

Existing rental subsidy contracts are a rare and highly valuable affordable housing resource. They assist extremely- and very low-income households in paying rent by providing a subsidy equal to the difference between 30% of a household's monthly income and the rental rate for a unit. Project-based rental assistance is provided for DHC public housing and for a set of multifamily rental properties that were built decades ago with assistance from HUD.

In 2013, Detroit lost 127 rental assistance contract units when the Griswold Building (now known as The Albert) was converted to market-rate pricing, displacing the largely senior resident population. In 2016, the Kamper-Stevens buildings in downtown Detroit were similarly

threatened with displacement of residents and loss of rental subsidy contracts. However, HUD, MSHDA, the City, and the property owner worked together to extend the 163 rental subsidy contracts and secure financing to perform the necessary rehabilitation.

The City will continue to pursue opportunities with HUD and property owners to ensure that residents served by rental assistance are not displaced by taking the following actions:

- Assess the stability of developments served by rental assistance and develop a response protocol for at-risk buildings. HUD and the City will meet quarterly to review developments that are nearing the end of their required affordability or are classified as troubled due to concerns about financial solvency, physical conditions, or management. The City will conduct outreach to developers to communicate policy related to terminating rental subsidy contracts.
- Identify a pool of destination buildings for the relocation of rental assistance contracts if needed. In the case that a building owner or developer elects to move a rental assistance contract, or building operations have created unsafe or unsustainable units, having a set of ready destination properties will allow the City and HUD to alleviate complications associated with this administratively intense process and increase the likelihood that the contracts will remain in service.
- Coordinate with the DHC to utilize the rental assistance demonstration (RAD) program to improve building conditions. The DHC recently submitted a RAD interest letter and will continue to assess where RAD fits into plans to preserve its affordable housing units upon the anticipated expansion of the RAD program for DHC properties.



Affordable housing leaders announce the preservation and rehabilitation of the Ryan Court townhomes and apartments and Roberts III apartments, as well as the development of Peterboro Arms and Brush Park South.

# DEVELOPMENT OF MULTIFAMILY AFFORDABLE HOUSING

## STRATEGY 1

### Strengthen the Detroit Housing Commission

The Detroit Housing Commission (DHC) plays a central role in the City's affordable housing system, overseeing more than 3,300 units of public housing and more than 6,000 housing choice vouchers. Critically, the DHC is the only avenue for increasing the number of project-based rental assisted units that serve extremely low-income households. To ensure the provision of new quality housing opportunities for extremely and very low-income households, the DHC and the City must work together to leverage DHC resources and expertise in managing deeply affordable housing units throughout the city.

- The DHC will seek High Performer status in 2018 and Moving to Work in 2019. Since emerging from federal receivership and returning to local control in 2014, the DHC has been repositioning the agency to enhance its management and provision of affordable housing. In September 2017, the DHC took a substantial step in improving its performance rating when the City acquired 385 dilapidated, vacant units that the DHC was unable to rehabilitate given current federal funding levels for public housing. The DHC seeks to become designated by HUD as a High Performer and Moving to Work designee.
- DHC and the City will create new rental assistance for extremely low-income households (30% of AMI). With its non-active Annual Contributions Contract (ACC) and through Moving to Work authority, the DHC will work with the City as an affordable housing partner, allocating rental assistance to create new mixed-income housing and preserve existing affordable housing.

**The creation of mixed-income neighborhoods that provide access to jobs, services, and transportation is central to the City's goal to grow inclusively.** To ensure that all neighborhoods include quality affordable housing, the City is implementing policies that require commitments to create new affordable housing and expanding resources to align with these commitments. As of the publication of this strategy, there are over 5,400 units of new market-rate multifamily housing in planning stages or under construction in Detroit, a peak in activity since the Great Recession.

In 2015, the City initiated a practice requiring all new multifamily housing that receives direct public monetary support for development to include at least 20% of units affordable to low-income households (with public financial support defined as investments of federal housing development funds or the sale of public land at below market value). This initiative has helped increase the total pipeline of planned and under construction affordable units in Detroit, which stands at over 1,100 units as of January 2018, and includes units from all federal, state, and local programs. Since 2015, over 20% of multifamily housing units constructed in Detroit have included an affordability requirement for households earning up to 60% of AMI.

In September 2017, the City further committed to mixed-income development through approval of an ordinance requiring new multifamily housing developments receiving direct public monetary support to include affordably priced units. Although qualifying projects will be required to set aside 20% of units priced at a minimum of up to 80% of AMI, deeper levels of affordability will be required for some projects based on funding sources.

This plan establishes a goal of producing new affordable housing units equivalent to 20% of the overall housing production through 2023. Based on current trends, the City projects that 10,000 units of housing will be completed or in the development pipeline during that time. To meet the above goal, 2,000 new units of affordable housing need to be produced or in pre-development by 2023.

Mayor Duggan and local stakeholders at the launch of a strategic program to bring \$4 million in investment to redevelopment within the Fitzgerald neighborhood.

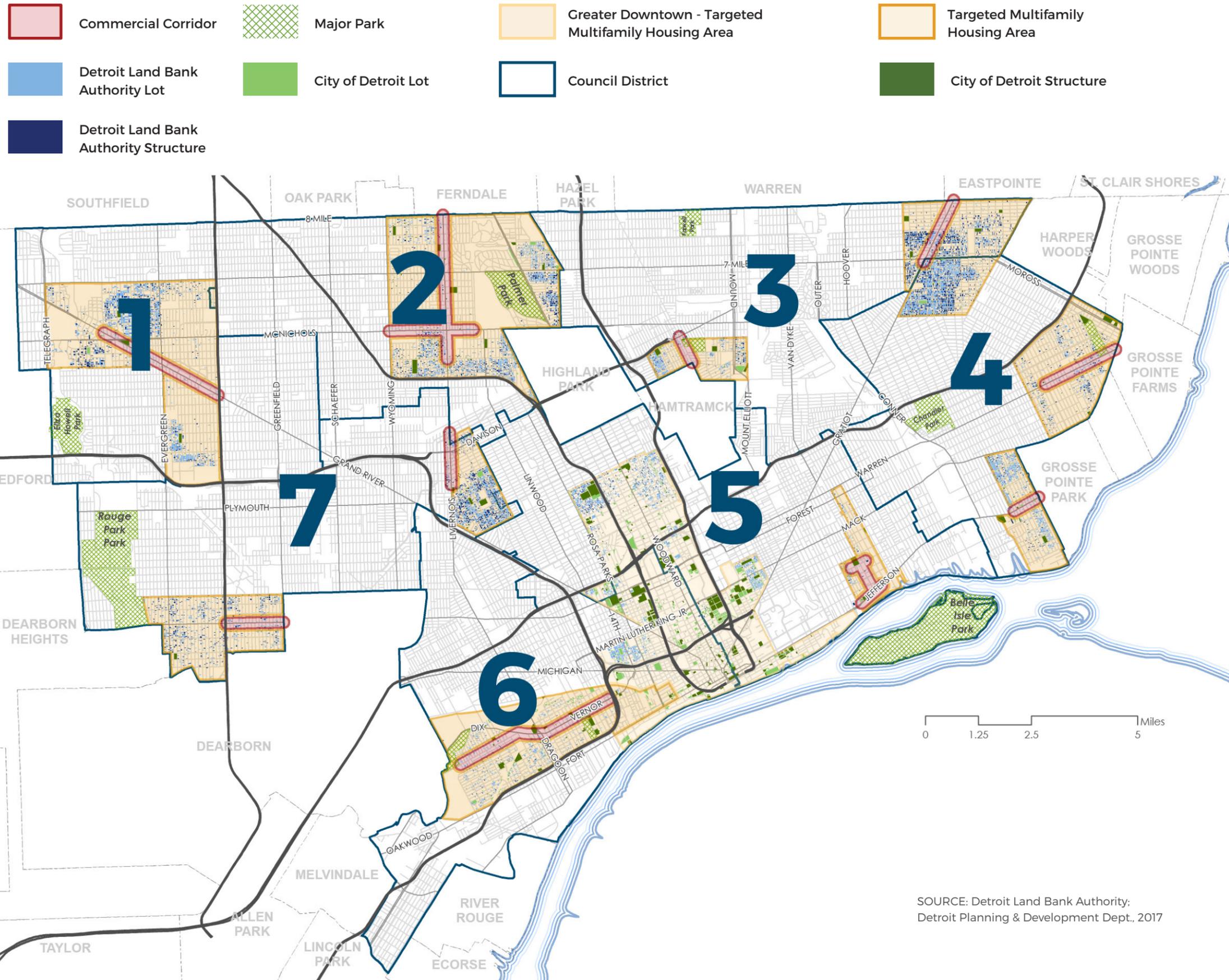


Mayor Duggan and local stakeholders at the launch of a strategic program to bring \$4 million in investment to redevelopment within the Fitzgerald neighborhood.



A resident of Hartford Village arrives home. Hartford Village is a mixed-income development exclusively for seniors that opened in 2017.

Figure 8: Public Land within Targeted Multifamily Housing Areas



## STRATEGY 2

**Identify and utilize publicly owned land, as well as City and privately owned vacant multifamily buildings, to encourage the production of affordable housing.**

Non-recreational publicly owned land totals 13,700 acres, much of which is vacant or underutilized, and some of which includes vacant multifamily buildings that can be rehabilitated. The City has already taken several meaningful steps to leverage its land ownership to promote the development of affordable housing. From 2016 to 2017, HRD released five Requests for Proposals (RFPs) for residential development on public land, all of which required proposers to provide 20% of rental housing units created on-site to low-income households (up to 80% AMI). The City will continue to require affordability as part of RFPs for residential development on public land and will require expanded affordability on certain projects. For instance, the Sugar Hill site development will include units affordable to a range of incomes, from 50% of AMI to 80% of AMI.

Within neighborhoods undergoing City-led planning efforts, the City will create a formal strategy for prioritizing affordable housing development on publicly owned land. The prioritization strategy will consider development type, disposition strategy, and timeframe (near-, mid-, or long-term). In addition, neighborhood-level criteria will be established for evaluating a publicly owned site's potential to incorporate affordable housing. This will include proximity to local assets and other attributes that make sites ideal for affordable and mixed-income housing, including:

- Proximity to public transit, particularly public transit that provides a link to job centers.
- Proximity to job centers or major local employers.
- Proximity to retail and other services, particularly sources for fresh food and healthcare.
- Forthcoming public investment in new development and infrastructure.
- Parcel size and proximity to other publicly owned land.

Requirements for affordable housing will be made public through RFPs for the sale of specific parcels of land, consistent with current practices.

- HRD will develop a database of vacant multifamily buildings for potential redevelopment. An initial scan of multifamily buildings shows that the predominant building size is between five and 20 units. These buildings are an opportunity for neighborhood-scale stabilization and revitalization, and for neighborhood-oriented developers to lead revitalization of Detroit's neighborhoods.
- The City will also explore the long-term management of public land for affordable housing, commercial uses, and management of open space. The scale of Detroit's public land ownership allows the City flexibility to design a land trust that creates affordable housing by putting previously vacant land to use. The City will lead evaluation and review of the optimal land trust model that allows for community stewardship of land, provides for greater control over the affordability of housing built on public land, and includes a mechanism for ensuring long-term affordability. Based on findings of the evaluation, the City will select a partner and move forward with implementation in 2018.

## STRATEGY 3

### Address chronic homelessness in the City of Detroit by producing new supportive housing units and improving the capacity of organizations providing supportive housing services.

People experiencing chronic homelessness often cycle between institutions, requiring emergency medical services, psychiatric services, hospital inpatient stays, and police attention, at great cost to many care systems. In 2017, 249 chronically homeless individuals in Detroit were identified through the City's annual Point-in-Time count – 144 residing in shelter and 105 sleeping on the streets or in other places not meant for human habitation. The national best practice for individuals experiencing

long-term homelessness is to provide them with supportive housing, which is a form of permanent housing that includes access to medical and social services. For this population, many of whom have been homeless for years on end, supportive housing can act as the platform to stabilize behavioral and physical health.

In Detroit, existing supportive housing has been effective in reducing homelessness. According to Detroit's system for tracking the use of supportive housing, in 2016, 96% of households in supportive housing either maintained their tenancy or moved to another permanent housing situation. This rate has been stable over 10 years. Stable tenancy, low attrition rates, and steady demand for supportive housing indicate the need to expand existing supportive housing polices to end chronic homelessness in Detroit. This strategy calls for the development of 300 new supportive housing units.

In pursuing the development of additional supportive housing, the City is working closely with the Homeless Action Network of Detroit (HAND). HAND is the lead agency for Detroit's Continuum of Care (CoC), a Detroit planning body coordinating housing services for homeless individuals. HAND's "Moving Up" initiative allows for stable tenants graduating from the intensive services in supportive housing to exchange their supportive housing voucher for a portable Section 8 voucher, thereby freeing up the supportive housing voucher and services for a new tenant exiting homelessness. Since 2014, 246 former recipients of supportive housing graduated from supportive housing as a result of a commitment of vouchers from MSHDA.

The City will pursue this strategy by:

- Identifying, with community support, sites for supportive housing development. To ensure that these sites are developed as supportive housing, the City and its partners will conduct an outreach campaign to provide information on the value such developments can add to a community and their effectiveness in serving households with high needs. The City will work with communities to identify developers and property managers with proven records in building and operating supportive housing through an RFP process.
- Supporting changes to the scoring structure of Addendum iii of the MSHDA Qualified Allocation Plan (QAP) used to allocate LIHTC to provide additional support for projects that provide permanent supportive housing units, with the goal of ending chronic homelessness. The City will

advocate for the Michigan Interagency Council on Homelessness recommendations to the 2018-2019 MSHDA LIHTC QAP to improve the quality of supportive housing and target supportive housing to those most in need. The recommendations are meant to align the QAP with the statewide plan to end homelessness.

- Developing an updated plan for Moving Up by March 2018 through a Memorandum of Understanding

(MOU), in coordination with the DHC and HAND, to support the continued effectiveness of the Moving Up initiative. The MOU will contain metrics for evaluating the success of the initiative, such as the annual number of households served. The City is convening HAND and the DHC through monthly workgroup meetings to discuss the structure of Moving Up, bring the DHC on board as a partner, and operationalize DHC's participation through the creation of the MOU.



The Treymore Apartment building offers affordable housing in the Cass Corridor neighborhood of Midtown .



The groundbreaking of the Saint Rita Apartments, a future permanent supportive housing development.

**Execution of the strategies described in this document will require sufficient funding and a coordinated commitment from all agencies involved in implementation. To preserve and develop 12,000 units, the City must build organizational capacity, leverage existing incentives and programs, and create additional financial resources.**

## Create local funding sources

To preserve 10,000 existing affordable units and produce 2,000 affordable units by 2023, the City must look beyond the traditional sources of funding. Across the country, programs to leverage local sources of funding (broadly called Affordable Housing Trust Funds) have successfully supported affordable housing goals. These funds generally combine public and private contributions, often working in partnership with philanthropic organizations. While there are similarities in basic structure and purpose of these funds, the specific funding mechanisms and allocation of funds for each is adapted to fit the circumstances of its location. For instance, in Seattle, Washington, an affordable housing trust fund is funded through a special property tax assessment district, generating approximately \$20 million annually. In 2016, it was used to deploy loans of up to \$7 million that resulted in the production of approximately 350 rental units and provided support to an additional 780 households in the form of eviction prevention assistance and rapid rehousing assistance for the homeless.

The City has projected a total need of \$800 million to achieve the goals specified in this document, including \$300 million aligned with preservation efforts and \$500 million aligned with support for new development. The flexibility and diversity of sources that can be used within an affordable housing trust fund make it an ideal structure for Detroit. The fund will be used to leverage traditional funding sources including traditional bank loans, Low-Income Housing Tax Credits (LIHTC), tax-

exempt bonds, brownfields and historic tax credits, below-market-rate debt financing, and grants.

Preserving existing affordable housing units is critical to ensuring that residents can remain in their neighborhoods as the city changes and grows. Funding for preservation is currently used to acquire and rehabilitate existing affordable housing and drawn from limited sources, including LIHTC, tax-exempt bond financing, and other federal funding sources.

Funding new development of affordable housing units is critical to ensuring that neighborhoods experiencing significant development activity include affordable units and become mixed-income neighborhoods, providing economic and other opportunities to residents across a range of incomes. Currently, Detroit's improved pipeline of affordable and mixed-income housing must compete for limited sources to support affordable units, including LIHTC and federal subsidy programs.

**The City will develop additional funding resources by continuing its partnership with Invest Detroit in the Strategic Neighborhood Fund.** The Strategic Neighborhood Fund (SNF) is a partnership between the City and Invest Detroit to make targeted, catalytic investments to create sustainable growth in 10 strategic neighborhoods. The SNF supplies gap financing to high-quality multifamily and mixed-use development with at least 20% of units reserved as affordable for low-income households (up to 80% of AMI), as well as other projects that support the development of commercial opportunities and streetscape improvements while enhancing the quality of parks and open space connecting neighborhoods.

The first phase of the SNF was launched in 2016 and supports the revitalization of West Village, Southwest Detroit, and Livernois-McNichols through a \$30 million fund raised through philanthropic grants and contributions from the public sector that will leverage at least \$80 million in debt equity financing. Future phases of the SNF will help to drive development to seven additional neighborhoods, supporting the City's goals to produce new units in these neighborhoods.

**The City will create the Affordable Housing Leverage Fund (AHLF), a \$250 million fund.** The City will work with stakeholders including financial institutions, CDFIs, and philanthropic organizations to establish the AHLF, aiming to initiate project funding commitments by early 2019.

The AHLF will provide low-cost financing and gap funding to property owners and developers. While the AHLF will focus primarily on projects that preserve or create rental units for very low-income households, more broadly it will allocate funds to projects that:

- Preserve existing affordable housing.
- Maintain affordability in the Greater Downtown.
- Create deeper affordability in strategic neighborhoods.
- Build supportive housing for Detroiters experiencing chronic homelessness.
- Strengthen neighborhoods through investments in neighborhood-scale single-family stabilization projects.

The AHLF will identify funds for below-market debt financing and grants. Based on the City's preservation and production goals, approximately \$150 million is needed in below-market-rate capital and approximately \$100 million is needed in grant capital. The City will work with traditional financial institutions, CDFIs, and philanthropic organizations to line up sources and funds. As a lead commitment, the City will make \$50 million in grant funds available, generated through existing federal housing funding and other local sources. This combined \$250 million goal, representing approximately one third of the total anticipated funding required to achieve the goals of this plan, is a significant step toward implementation. It will supplement the estimated \$550 million expected to be available through traditional funding sources (such as LIHTC or debt and equity lending) to meet the projected \$800 million need to meet the goals of this plan.

In 2018, the City will identify a fund manager with a strong local presence and experience managing similar capital funds. The AHLF manager will be responsible for working with the City to identify capital resources, coordinate the underwriting process, and create consolidated recommendations for the AHLF Credit Committee to allocate funds. The AHLF Credit Committee will be comprised of key financial supporters of the fund and charged with identifying affordable housing developments that advance the goals of the AHLF.

As part of the AHLF, the City will pilot an initiative with MSHDA to develop a mixed-income financing program to leverage low-interest loans and grant funds committed to AHLF with 4% LIHTC and tax-exempt bond financing. This financing approach could

significantly increase the supportable loan amount on transactions, greatly enhancing the ability to finance preservation deals, for example.

## Streamline the use of tax incentives

Both new and existing regulated affordable housing developments in Detroit rely on incentives for financial feasibility due to market conditions, the high cost of construction, and the high commercial property tax rate. Effective commercial property tax rates in the city are the second highest in the country among major cities and twice the statewide average tax rate for Michigan. Although revenue generated from these taxes funds services, the high tax rate places a burden on the financial feasibility of development and building operations.

Tax incentives are critical to the financial feasibility of operating affordable housing and must be maintained to preserve the existing regulated affordable housing stock. In regulated and naturally occurring affordable housing, the potential for increasing property taxes is a strong deterrent to investing in property improvements. As real estate values rise, it often becomes increasingly attractive for property owners to seek incentives to improve properties and raise rents. While the City is interested in continued investment and improvement of housing quality in Detroit, rehabilitation or renovation of occupied buildings threatens to displace existing residents who cannot afford increased housing costs.

Similarly, almost all new multifamily development relies on tax incentives. The most common incentives used to support recent multifamily developments include Neighborhood Enterprise Zones (NEZ), Tax-Increment Financing (TIF) for brownfield sites, and tax abatement under the Obsolete Property Rehabilitation Act (OPRA) and Commercial Rehabilitation Act PA 210 (PA 210). However, these incentive programs have a limited term, and when they expire, reversion to the standard property tax rate makes the long-term financial sustainability of developments uncertain.

Incentives for new development projects are discretionary and granted on a case-by-case basis. Property owners and developers must demonstrate that a project could not occur without the incentive, then receive multiple approvals from City Council. Each part of this process poses challenges related to predictability, timing, and standardized treatment

of regulations, creating hurdles to development and dampening market confidence. Additionally, the City lacks a comprehensive mechanism to track performance metrics of proposed projects when incentives are granted, which limits the ability to adapt incentives to shifting market conditions. To overcome some of these challenges, the City will enact guidelines establishing a consistent set of application criteria and approval mechanisms. Still, further improvements are necessary to accelerate and enhance affordable housing development.

The need for tax incentives creates an opportunity to align development uses with planning efforts to encourage the development or preservation of affordable housing.

**The City will revise and publish a consistent set of criteria for awarding tax incentives for multifamily projects that include affordable units in new construction or non-occupied structures.** The City will coordinate with the City Council and work with the Detroit Economic Growth Corporation (DEGC) to update criteria for incentives, including:

- Prioritizing neighborhood Targeted Multifamily Housing Areas (TMHAs) for allocation of district-based development incentives.
- Where market conditions allow, granting the maximum allowable abatement period only to multifamily projects that meet preferred investment criteria, such as pricing 20% of rental units for low-income residents.
- Working with City Council to streamline and clarify regulatory guidance such that developers can expect approvals of projects if they meet certain approved thresholds of affordability.

**The City will create a system to track multifamily development projects that have received incentives to ensure compliance with established agreements.** The City will lead the development of a system to be completed by 2019, with support from DEGC, and make the project list publicly accessible. The information gained through this system and regular reporting on monitored developments will position the City to gain insight into how market conditions are impacting the need for incentives.

**The City will work to prevent the displacement of residents by requiring building owners seeking incentives for reinvestment or redevelopment of an**

**occupied building to create a retention plan with an affordable housing outcome for every resident.** Owners seeking incentives for safe, clean, and decent occupied buildings will be required to provide a plan including affordable housing for income-eligible current occupants on site or a comparably priced housing unit located off-site in a comparable location.

## Establish the Office of Policy Development and Implementation

The City recognizes that addressing Detroit's need for affordable housing through the creation and implementation of the tools and strategies laid out in this document will require intensive efforts. To oversee implementation, HRD will establish the Office of Policy Development and Implementation (OPDI), which will be tasked with designing programs and initiatives, leading implementation of new policies, and integrating these activities into the regular operations of the City. In addition, OPDI will ensure that the goals, strategies, and initiatives of this plan are incorporated into the housing strategies within neighborhood plans. To do so, OPDI will work closely with the Planning and Development Department, who is leading the development of neighborhood plans. The OPDI will include new staff with specific areas of focus and expertise in affordability preservation, land trusts, affordable housing trust funds, development incentives, affordability compliance, capacity building, and single-family affordable housing strategies.





Community members attend the ribbon-cutting ceremony for Hartford Village, a senior living community.



Mayor Duggan, City Councilman Scott Benson, Housing and Revitalization Director Arthur Jemison, and community stakeholders celebrate the announcement to convert the building that once housed the Archdiocese of Detroit's Transfiguration School in the City's Campau-Banglatown neighborhood into 23 affordable housing units.

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# GLOSSARY

## Area Median Income (AMI)

Area Median Income (AMI) represents the midpoint in the distribution of household incomes within a certain geographic region. HUD publishes annual AMI levels for regions, adjusted for family size. The HUD-provided AMI is used to determine applicants' eligibility for both federally and locally funded housing programs where participation is dependent on income levels. The Detroit-Warren-Livonia, MI HUD Metro Fair Market Rents (FMR) Area contains the following areas: Lapeer County, MI; Macomb County, MI; Oakland County, MI; St. Clair County, MI; and Wayne County, MI.

## 2017 Detroit MSA Income Limits

Category	30% AMI	50% AMI	60% AMI	80% AMI
1-Person	\$14,450	\$24,050	\$28,860	\$38,450
2-Person	\$16,500	\$27,450	\$32,940	\$43,950
3-Person	\$20,420	\$30,900	\$37,080	\$49,450
4-Person	\$24,600	\$34,300	\$41,160	\$54,900
5-Person	\$28,780	\$37,050	\$44,460	\$59,300
6-Person	\$32,960	\$39,800	\$47,760	\$63,700
7-Person	\$37,140	\$42,550	\$51,060	\$68,100
8-Person	\$41,320	\$45,300	\$54,360	\$72,500

SOURCE: U.S. Department of Housing and Urban Development (HUD)

## Community Development Block Grant (CDBG)

The Community Development Block Grant program, authorized by the federal government in 1974, provides annual grants to participating state and local jurisdictions, called "non-entitlement" and "entitlement" communities respectively. HUD determines the amount of each grant by using a formula comprised of several

measures of community need, including the extent of poverty, population, housing overcrowding, age of housing, and population growth lag in relationship to other metropolitan areas. At least 70% of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

## Community Development Financial Institution (CDFIs)

Community Development Financial Institutions (CDFIs) are financial institutions, certified by the U.S. Treasury Department, to provide credit and financial services to underserved people and communities. They can encompass a range of non-profit and for-profit entities including community development banks, community development credit unions, community development loan funds, community development venture capital funds, and microenterprise loan funds.

## Cost Burden

A household is considered cost burdened when 30% or more of household income is spent on gross housing costs (can apply to renters or homeowners).

## Emergency Solutions Grants (ESG)

In 2012, the HEARTH Act revised the Emergency Shelter Grants Program to create the Emergency Solutions Grants (ESG) Program. ESG is a formula grant that provides funding for homeless outreach, emergency shelter rehab or conversion, homelessness prevention, and rapid rehousing to help homeless individuals or families living in shelters. Eligible ESG recipients generally consist of metropolitan cities, urban counties, territories, and states. Metropolitan cities, urban counties, and territories may provide Emergency Shelter Grants Program funds for projects operated by local government agencies and private non-profit organizations. Local government grantees must match grant funds with an equal amount of funds from cash or in-kind sources.

## HOME Investment Partnership (HOME)

HOME Investment Partnership (HOME) was authorized by the federal government in 1990. It is a federal block grant to participating jurisdictions, which then use the funds to provide affordable rental and homeownership housing to low- and moderate-income families. When HOME funds are used for rental activities, at least 90% of the units must be occupied by households with incomes at or below 60% of AMI, with the remaining 10% are to be occupied by households with incomes at or below 80% of AMI. In rental properties with five or more HOME units, 20% of the units must be set aside for households with incomes at or below 50% of AMI. Depending on the amount of HOME subsidy per unit, HOME funding applies 5- to 20-year affordability restrictions on units.

## HOPWA

Under the HOPWA Program, HUD makes grants to local communities, states, and non-profit organizations for projects that benefit low-income persons (earning less than or equal to 80% of AMI) living with HIV/AIDS and their families. Two types of grants are made under the HOPWA program: HOPWA formula grants and HOPWA competitive funds. HOPWA funds may be used for a wide range of housing, social services, program planning, and development costs.

## HUD-Insured Properties

HUD's Federal Housing Administration (FHA) provides mortgage subsidies to private owners of multifamily housing to reduce development costs. In return, HUD requires assisted properties to agree to low-income "use restrictions," which restrict occupancy to households under specific income limits and limit rent levels. Properties that fall under this category include Section 221(d)(3) BMIR, Section 236, and other non-subsidized HUD insured properties.

## Low-Income Housing Tax Credit (LIHTC)

The Low-Income Housing Tax Credit Program is a federal program that provides a dollar-for-dollar tax credit to support the development of affordable rental housing. The LIHTC program distributes federal income tax credits to developers through state housing finance agencies, which are responsible for determining which projects receive tax credits under the state's allocation. There are two general types of credits that can be

awarded. 9% credits are higher-value credits that cover a greater percentage of projects' development costs, and are awarded on a competitive basis. 4% credits are lower-value credits that cover a lower percentage of projects' development costs, and are generally awarded to any projects that meet specific programmatic requirements and are financially feasible. 4% credits are usually paired with tax-exempt bond financing to make up the difference.

## Michigan State Housing Development Authority

The State of Michigan agency that finances affordable housing opportunities through the sale of tax-exempt bonds and management of federal tax credit programs, the federal HOME project, the state Housing Trust Fund, and other programs.

## Millage Rates

Municipal tax rates are presented as millage rates, defined as the taxes per \$1,000 of value in Michigan.

## Moving to Work (MTW)

Moving to Work (MTW), authorized by the federal government in 1996, is a demonstration program for public housing agencies (PHAs) to design and test locally designed strategies that are more efficient in use of federal dollars. PHAs may request waivers of federal statutes and rules governing public housing and vouchers to design and test new approaches for reducing program costs, encouraging economic self-sufficiency, and increasing housing choices for low-income families. As of 2008, 27 PHAs were participating in MTW. The 2016 Consolidated Appropriations Act expanded the Moving to Work demonstration by an additional 100 public housing authorities (PHAs) over seven years.

## Multifamily Housing

For the purposes of this document, multifamily housing is defined as a residential building consisting of more than five housing units.

## Naturally Occurring Affordable Housing (NOAH)

Naturally occurring affordable housing is defined as housing that is priced by market forces at rates that are affordable to low income households. Housing is

traditionally considered affordable if the total housing cost (rent or mortgage plus utilities) for the household represents no more than 30% of its income. NOAH housing often makes up a significant portion of a jurisdiction's affordable housing stock, in addition to publicly subsidized housing.

#### **Project-Based Section 8 Vouchers**

The Project-Based Section 8 Program, as it is now known, was established in 1974. HUD entered into Housing Assistance Payments (HAP) contracts with private owners to serve low-income tenants. Under these contracts, tenants pay 30% of their adjusted monthly income for rent and utilities and HUD pays the owner the difference between the tenant's payment and the agreed-upon contract rent. New residents of Project-Based Section 8 units can have incomes of no more than 80% of AMI, and 40% must have incomes below 30% of AMI.

#### **Public Housing**

Public housing is a type of affordable housing that has been traditionally owned by a local government agency or authority. In most places, this is a public housing authority. HUD provides federal aid to local housing authorities to operate housing for residents, who pay rents that they can afford. In the United States today, there are approximately 1.2 million households living in public housing units, managed by some 3,300 housing authorities (HUD).

#### **Qualified Allocation Plan (QAP)**

Per federal requirements, the Michigan State Housing Development Authority develops an annual Qualified Allocation Plan (QAP) to competitively allocate LIHTC across the state. This includes geographic and income-specific requirements. MISHDA can only allocate credits in conformance with the QAP.

#### **Quality Housing**

Quality housing is defined as housing that meets local building standards to obtain a certificate of occupancy and/or federal Housing Quality Standards (HQS).

#### **Regulated Affordable Housing**

Regulated affordable housing includes public housing, but also affordable rental and ownership housing developed by non-profit and for-profit developers using public subsidies. The level of affordability, or maximum rents or sale prices for these units, are based on the Area Median Income for the Detroit-Warren-

Livonia Metropolitan Statistical Area, and enforced by a funder or regulatory body (such as the City or the U.S. Department of Housing and Urban Development).

#### **Rental Assistance Demonstration (RAD)**

Rental Assistance Demonstration (RAD), authorized by the federal government as part of its FY12 and FY15 HUD appropriations bills, is a voluntary program intended to preserve public housing by providing PHAs with access to private capital to make needed capital improvements. Under RAD's first component, PHAs and other owners of public housing are allowed to convert units to project-based Section 8 programs or project-based vouchers (PBVs). The 2015 Appropriations Act authorizes up to 185,000 units to convert assistance under this component.

#### **Section 202 (Direct Loans)**

The Section 202 Program was authorized by the federal government in 1959. While the program has evolved over the years, it has either provided direct loans or capital advances from the federal government for the low-income senior housing development. From 1959 to 1990, the program provided below-market-rate direct loans, generally at a 3% interest rate for up to 50 years, to non-profit organizations. In addition, from 1974 to 1990, these loans were subsidized further by Project-Based Section 8 contracts. In 1990, the funding moved from below-market-rate direct loans to capital advances.

#### **Section 202 and 811 (Project Rental Assistance)**

The Section 202 Program (Supportive Housing for the Elderly) provides capital and operating funds to non-profit organizations that develop and operate housing for seniors with very low-incomes, while the Section 811 Program (Supportive Housing for Persons with Disabilities) provides funding for the development and operation of housing for low-income people with significant and long-term disabilities. Each of these programs provide project rental assistance contracts, which subsidize the operating expenses of these developments. Residents pay 30% of their adjusted income towards rent, and the PRAC makes up the difference between rental income and operating expenses.

#### **Severe Cost Burden**

A household is considered severely cost burdened when 50% or more of household income is spent on housing costs (can apply to renters or homeowners).

#### **Special Assessment Districts**

In a special assessment district (SAD), a local

government provides a specific public benefit to a group of properties and imposes a special assessment (extra tax) on them to pay the costs of providing the benefit.

#### **Supportive Housing**

Supportive housing is affordable housing that also includes support services designed to help tenants stay stably housed and build necessary life skills. Supportive housing can be designed either to be permanent or temporary for residents, with temporary housing targeted towards individuals who may be able to transition to traditional housing without support services over time. Supportive housing has been a successful tool to house populations that may be difficult to serve with traditional housing, such as chronically homeless adults.

#### **Tax-Increment Financing**

A funding mechanism wherein a local government uses anticipated future increases in tax revenues to finance current improvements, such as new or improved infrastructure, that are expected to generate those increased revenues. With a traditional TIF, a local government establishes a district and borrows funds to pay for public improvements required to enable private development in the district. The debt (project development financing bonds) is secured by and repaid

from the incremental property tax revenue associated with the private development.

#### **U.S. Department of Housing and Urban Development (HUD)**

The U.S. Department of Housing and Urban Development (HUD) is the federal agency charged with overseeing affordable housing and community development programs related to home ownership, low-income housing assistance, fair housing laws, homelessness, aid for distressed neighborhoods, and housing development.

#### **Year-15 - "Extended Use Period"**

Low-Income Housing Tax Credit projects have a 15-year required affordability period, which is followed by a second 15-year affordability period, called the "extended use period," intended to maintain their affordability requirements for a total of 30 years.

#### **Zoning**

A planning tool used primarily by local governments, zoning regulates buildings' use, size, and shape, and other factors, such as parking, signage, accessory structures, and landscaping.

